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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 25, 2005

TO: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *for*
Auditor-Controller

SUBJECT: **DHS LAC+USC MEDICAL CENTER RESPIRATORY THERAPY
PROPOSITION A CONTRACT**

On February 15, 2004, your Board approved a request from the Department of Health Services (DHS) to extend a Proposition A contract for respiratory therapy (RT) services at LAC+USC Medical Center Women's and Children's Hospital. The extension allows DHS to continue the current contract RT service, while the County determines whether it is cost effective to continue contracting or if DHS should return to using County staff to provide the service.

As indicated in DHS' Board letter, our review of the Department's original cost analysis showed that the proposed contract was not cost effective. However, the Department recently submitted another cost analysis to us with a different staffing plan, which included an increased number of higher level staff and higher County cost.

LAC+USC provided us with a justification for the revised staffing plan, so we could evaluate the reasonableness of the cost analysis. The justification indicates that the Women's and Children's Hospital medical staff believe that the use of the increased number of higher level staff is required based on the greater experience needed to provide service to critically ill pediatric patients.

Our review indicates that LAC+USC's use of a higher level staffing mix may be justified based on the difference in the training and experience of the proposed contract staff compared to the County's lower level staff positions. The contractor's proposal indicates that many of their staff have additional certifications compared to County staff requirements, and that their staff have at least one year of experience specifically in pediatric and/or neonatal intensive care practice.

"To Enrich Lives Through Effective and Caring Service"

While there is a difference in the training and experience between County and contract staff, it should be noted that LAC+USC's mix is significantly higher than the mix of County staff currently used at Harbor/UCLA Medical Center. We understand that Harbor/UCLA uses registry staff in the RT service. However, Harbor/UCLA administration indicated that registry staff work mostly outside of the pediatrics service. At the same time, Olive View Medical Center, with a much smaller RT service, has a staffing mix that is proportionately similar to the proposed LAC+USC staffing.

Based on LAC+USC's assertion that they would need the higher level staffing mix to provide the same level of service as the contractor, the proposed contract is cost effective:

County Avoidable Cost	Contract Cost	Contract Savings
\$1.64 million	\$1.6 million	\$40,000

It should be noted that the contract includes an incremental fee for services in excess of a specified level (e.g., for an unusually high number of patients requiring RT service). Similarly, if the County provided the service, the County might incur increased costs for a higher level of service (e.g., staff overtime, registry costs, etc.). Because the actual level of service that will be required cannot be predicted, the actual contract cost and savings may be more or less than estimated. The contract does include a provision requiring the contractor to reduce its cost if the actual workload is significantly lower than expected, and refund those savings to the County. LAC+USC management indicated that previous refunds to the County have averaged approximately \$20,000 a year. These refunds reduce the cost of the contract and increase the contract savings.

Please call me if you have any questions or have your staff contact Jim Schneiderman at (626) 293-1103.

JTM:MMO:JS

c: David E. Janssen, Chief Administrative Officer
Thomas L. Garthwaite, M.D., Director and Chief Medical Officer, DHS
Violet Varona-Lukens, Executive Officer
Public Information Office
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